

ACTION BY: Regional Directors
Special Nutrition Programs

SOURCE CITATION: Section 225.8(e)

Summer Food Service Program Special Accounts

In accordance with Summer Food Service Program regulations, State agencies may develop criteria to determine which sponsors will be required to establish special accounts. Upon approval of sponsors' applications, State agencies should inform applicable sponsors that they will be required to establish a special account. It is essential that State agencies requiring sponsors to provide for the special account initiate an agreement with the sponsors. The agreement must provide that those sponsors will establish and maintain a special account with a State or Federally-insured bank for the deposit of Program operating costs payments, and withdraw funds from the account only when authorized by both sponsor and vendor representatives. Sponsors which will be contracting with more than one vendor must establish a separate special account with each vendor.

Most banks have a fiduciary responsibility to execute the terms of the special account, such as ensuring that there are appropriate signatures from both the sponsor and vendor, prior to releasing any funds from the account. Generally, most banks will not require any charges for the account. However, some banks may impose a charge depending on the amount of money involved and the number of transactions made. Any charges made by the bank in connection with the special account may be considered as an allowable sponsor administrative cost.

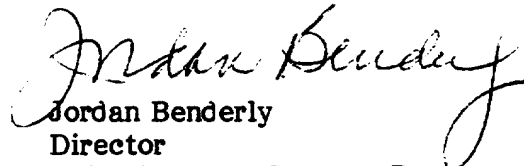
Both the sponsor and vendor involved in the special account should understand and agree to abide by the terms and conditions therein. Sponsors shall submit a copy of the special account agreement to the State agency and retain a copy for their files. The special account agreement may contain terms agreed upon by both the sponsor and vendor as long as they are consistent with the terms of the contract between the sponsor and vendor. Below, we have provided provisions which State agencies may want to require both parties to execute in accordance with implementing the special account as effectively as possible in their States:

- (1) Sponsors should be fully aware that funds deposited in the special account will only be for Program operating costs. Sponsors should deposit the check into the special account within a specified number of days (as determined by the State agency) after receipt of the check.
- (2) Both sponsor and vendor should jointly sign a statement for submission to the State agency indicating the special account identification number.

DISTRIBUTION: 5, 8, 13	MANUAL MAINTENANCE INSTRUCTIONS: New Instruction. Insert in Manual. Destroy FDP Policy Memorandum No. 7.	RESPONSIBLE FOR PREPARATION AND MAINTENANCE: CS-100	Page 1 12-14-82
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- (3) The State agency should include the special account identification number on the check payable to the sponsor for operating costs.
- (4) Joint signatures of authorized sponsor and vendor representatives are required prior to any withdrawal of funds from the special account. The number of sponsor and vendor representatives who will be authorized to sign for the withdrawal of funds from the special account should be limited. Ensure that both sponsor and vendor are aware of each party's representatives who are authorized to sign for the withdrawal of funds from the special account.
- (5) The account book should be maintained by the sponsor.

We would like to stress that there may be additional stipulations which State agencies may wish to impose relative to establishing special accounts in their State. State agencies should be advised to thoroughly inform applicable sponsors of the special account provisions and to closely monitor the usage of such accounts in their State.


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